



SERIES I BONDS ARE SMOKIN'!

IBonds are catching on with customers like wildfire. Do you know why? I Bonds have been getting great reviews in the press lately and the public is responding to the value of these unique securities. At this writing two-thirds of online bond sales were I Bonds. Can you explain how the I Bond works to your customers? Here's a brief description:

"I" stands for inflation-indexed. These bonds guarantee an investor a very attractive real rate of return, regardless of what happens to the inflation rate. When inflation rises the I Bonds total return also goes up.

The Department of Treasury assigns a fixed rate (real rate of return) of interest on every bond. For purposes of this article we will use as examples the rates for Bonds purchased May 1 through October 31. There will be new rates by the time you are reading this. Look for the rate press

release sent with this newsletter. For I Bonds bought May 1 through October 31, the fixed rate is 3.6 percent. Then the Treasury added an inflation adjustment, which changes each May and November. When the real rate of return was combined with the inflation adjustment it produced an interest rate that bonds receive for a six-month period. The inflation adjustment protects the purchasing power for the investor. In six months, the inflation adjustment on the bond will change, up or down, but the real rate of return stays the same for as long as 30 years.

The inflation adjustment rate reflects in part changes in the price of goods and services. The part that tracks inflation is the Consumer Price Index for all Urban Consumers (CPI-U). For the period May through October the yield combined the 3.60% fixed rate mentioned earlier with a 3.82% annualized rate of inflation totaling 7.49% yield. These rates were in effect

for I Bonds bought May through October and will be applied to these bonds the first six months after their issue.

I Bonds are purchased at face value and investors receive the purchase price plus their interest earnings when they redeem the bonds. Minimum purchase is \$50. Bonds are sold in eight different denominations ranging from \$50 to \$10,000 and are available without a sales charge at most banks and financial institutions, or by payroll deduction. Investors also may buy them through the Treasury's EasySaver program by instructing the government to automatically deduct a certain amount from their bank accounts to get bonds by mail. Another option would be to purchase these bonds online at www.savingsbonds.gov.

If the bonds are cashed before five years there is a three-month interest penalty. Federal income tax on an I Bond can be deferred until it is redeemed or reaches final maturity, 30 years after the issue date. Unlike Series EE bonds I-Bonds may not be exchanged for HH Bonds to extend the deferral period. Like other savings bonds they are exempt from State and local income taxes.

People buying I Bonds may invest up to \$30,000 in every calendar year. Also, a spouse may invest up to \$30,000 giving a married couple the possibility of purchasing \$60,000 together.

For small and even large investors, I Bonds are definitely worth getting fired up about.



IN THIS ISSUE

SERIES I BONDS ARE SMOKIN' . . . 1

PUBLIC DEBT SEEKS OWNERS OF
MATURED SAVINGS BONDS 2

CHECK OUT BondPro™ 2.00 FOR
"IMPROVED" BOND PRICING
FEATURES 3

NOW THAT YOU ASK 3

WHEN DO BONDS ACCRUE
INTEREST? 4

A TIME FOR GIFTS 4

SAVINGS BOND FINAL MATURITY
CHART 4

BROCHURES FOR YOUR
CUSTOMERS 4

WEB SITE MAKES BOND
TRANSACTIONS EASIER 5

SELL BONDS ON YOUR WEB SITE;
ELIMINATE THE PAPER CHASE 5

GET READY FOR THOSE PESKY TAX
TIME QUESTIONS 6

PUBLIC DEBT SEEKS OWNERS OF MATURED SAVINGS BONDS

It's not everyday that you will find the government begging to give people money. But that is what is happening with savings bonds.

The Bureau of Public Debt has launched a campaign to encourage savings bonds owners to redeem the more than \$7 billion in matured bonds they are holding.

"We want those Americans who are holding more than \$7 billion in matured savings bonds to put their money back to work for them," said Van Zeck, Commissioner of the Public Debt. "We certainly don't want people to hold on to an asset that's not earning interest. Some of these bonds are worth five, even ten times what people paid for them, which should be a pleasant surprise to many. For example, someone who paid \$75 for a \$100 Series E bond back in April of 1960, would find that their bond is worth about \$770 today."

"We're hoping that increased awareness of when bonds stop earning interest will cause people to take a look at their bonds and redeem or exchange the matured bonds," said Zeck.

Series E bonds sold from May 1941 through November of 1965 earn interest for 40 years. Bonds sold from December 1965 on earn interest for 30 years. So, bonds issued in November of 1960 and earlier have stopped earning interest. A similar rule applies to those bonds with a 30-year life. Bonds issued from December of 1965 through November 1970 no longer earn interest. All Savings Notes, issued from May 1967 through October 1970, have stopped earning interest.

You should inform your customers that there is no advantage to holding onto the bonds once they have stopped earning interest. Bond owners incur the tax liability when the bonds stop earning interest or when they are redeemed, whichever occurs first.



I found buried treasure in my garage.

More than 40 years ago, Grandma gave you Series E Savings Bonds. So you put them in a safe place and forgot about them—until now. You were cleaning out boxes of junk when you found an unexpected treasure... those old Series E Savings Bonds. And even though your old bonds are no longer earning interest, they could still be worth more than **5 times their face value**. So why not redeem those old bonds at your local financial institution? To find out more, call 1-800-4US BOND, or write to Savings Bonds, Parkersburg, WV 26106-1328. Old Savings Bonds. They're a treasure worth digging for.

U.S. SAVINGS BONDS

Do you have old Savings Bonds? Check out the Savings Bond Calculator at www.savingsbonds.gov to discover their value.

A public service of this publication

BOND OWNER SEARCH: this ad is one of many used in the Bureau of Public Debt public service ad campaign to find owners of unredeemed Savings Bonds that have reached final maturity and stopped earning interest.

Investors have the option of exchanging their maturing Series E bonds within a year after maturity for current-income Series HH bonds. HH bonds pay interest at a level rate of 4 percent and allow investors to continue to defer the interest earned on their bonds for Federal income-tax purposes for up to 20 more years. The HH Bond interest is paid every six months. Federal income tax on this

income is due annually. It is exempt from State and local income taxes. ☛

ANY QUESTIONS? LET US KNOW

Do you have any questions? Let us know. Write: Sheila E. Nelson, Editor, The Bond Teller, Bureau of the Public Debt, 999 E St., NW, Washington, DC 20239.

CHECK OUT BondPro™ 2.00 FOR “IMPROVED” BOND PRICING FEATURES

BondPro™ Version 2.00 is coming soon! It has many new and improved features that include the capability to:

- choose a database other than Microsoft Access (as long as you already have Microsoft SQL Server, IBM UDB (DB2) or Oracle 8 database structure in place),
- reprint customer receipts,
- edit/delete transactions,
- search for BondPro™ customers,
- choose a printer other than your default printer,
- download redemption values and tables from the Internet,
- create redemption summary reports (e.g., daily, monthly, etc.),
- print 1099 summary reports as well as create 1099 files, etc.

If you have Version 1.00, we'll automatically send you Version 2.00. We plan to release it late this December. You'll be able to take your current BondPro™ information and convert it to Version 2.00 or start over with a brand new installation. However if you don't have BondPro™, please contact us today.

- Phone: (304) 480-6888
- E-mail:
BondPro@bpd.treas.gov

There are over 14,000 agents pricing bonds with BondPro™. Here's what they say about it:

- “It's made my job easier, neater, ...”
- “It's great, we love it!”
- “No more pricing from the wrong line in the booklets!”
- “...it's responsive, straightforward, mostly intuitive...”
- “We like the fact that we can

print multiple receipts.”

- “I printed one of the redemption tables and it looked perfect!”

So don't delay, order your free copy today so that you can see why this program is becoming more and more popular in the paying agent community! ☛

NOW THAT YOU ASK

Q. My father died not too long ago, and my mother, the court-appointed representative of his estate, has an old \$100 Series E bond in his name only. How can she cash it?

A. A bank or credit union that is a savings bond paying agent is authorized to redeem the bond for your mother. She would need to sign the request for payment form on the back of the bond showing her representative or fiduciary capacity, for example, "Jane Doe, Executor under the will of Harry Doe, deceased," in addition to her address and your father's Social Security Account Number. In addition, when cashing the bond, she would have to present a document issued by the court (typically referred to as "certificate of appointment", "letters of appointment", "letters testamentary" etc.) as evidence that she was appointed to represent your father's estate. The paying agent must also require identification acceptable under Treasury's Identification Guide For Cashing United States Savings

Bonds and make notations on the bond describing the method of identification accepted and the court document.

If in addition to your father's name, the bond inscription had included the name of another person who died before your father died, the paying agent would have to require copies of death certificates for your father and the other person, and the copies would have to be certified to be true and correct by the state or local government agency that issues the copies. The paying agent would note a description of each of these documents on the back of the bond as well.

The Identification Guide explains these procedures and requirements in a few short paragraphs. The Savings Bond Resource Guide also contains much helpful information, and agents can get free copies from the Federal Reserve Office that provides their region with savings bond services.

If no local paying agent is willing to redeem the bond for your mother, she can have her signature on the bond (including the description of her representative capacity) certified or guaranteed by her bank or credit union and then she can send the bond with the court document (a certified copy of it) to the Federal Reserve Office that provides savings bond services to her region. If the total face amount is \$1,000 or less (as it is in this case) she can complete and sign (showing her representative or fiduciary capacity) PD F 2488-1 instead of providing a certified copy of court evidence of her appointment. The form would be sent in with the bond (but could not be accepted locally by a paying agent). ☛

CURRENT BOND INFORMATION

Current savings bonds information can be obtained by calling the toll-free recording 1-800-4US-BOND (487-2663). The caller is given a choice of five messages in either English or Spanish. Subjects covered are: Series I rates, Series EE rates, bond maturities, a mailing address to write for information or forms, and an internet address.

WHEN DO BONDS ACCRUE INTEREST?

You can help your customers avoid a common mistake when cashing their E or EE bonds or exchanging them for Series HH Bonds. Too often bond owners cash bonds just before they increase in value.

Not knowing the accrual dates could cost the bond owner money. If, for example, a bond is redeemed a month before its accrual date the owner would lose five months interest. Accrual dates for Series E, Series EE Bonds issued before May 1997, and Series HH Bonds are six months from issue and every six months thereafter. There is an exception to the rule. Of bonds that are still earning interest, there is one group of Series E Bonds that did not mature on the anniversary of their issue date. This group, issued June 1959 through November 1965 reached original maturity in 7 years and 9 months. Accrual dates for these bonds changed when the bonds went into extensions. Their accrual dates follow:

RANGE OF ISSUE YEARS JUN. '59 – NOV. '65	
MONTH OF ISSUE	VALUES INCREASE 1ST DAY OF
JAN. OR JUL.	APR. AND OCT.
FEB. OR AUG.	MAY AND NOV.
MAR. OR SEP.	JUN. AND DEC.
APR. OR OCT.	JUL. AND JAN.
MAY OR NOV.	AUG. AND FEB.
JUN. OR DEC.	SEP. AND MAR.

A TIME FOR GIFTS

As holiday gift-giving time draws near, remember that customers now have two choices when purchasing gift Savings Bonds: Series EE Bonds and the new Series I Bonds. The Series I Bond, an inflation-indexed bond, was introduced in September 1998 (see I Bond story on page 1). Order forms for the I Bonds can be obtained from your servicing Federal Reserve Bank.

When customers buy gift bonds they may have the bonds sent to themselves or to the bond recipient.



Offer your customers gift certificates when they buy gift Savings Bonds. They will have something to give directly or to send by mail to the recipient. The person receiving the gift, depending how the bond is delivered, will know who sent the bond or will know to look for the bond in the mail.

SAVINGS BONDS FINAL MATURITY TABLE			
SERIES	ISSUE DATES	LIFE OF BOND	MATURITY DATES
E	May 1941—Nov. 1965	40 Years	May 1981—Nov. 2005
E	Dec. 1965—June 1980	30 Years	Dec. 1995—June 2010
Savings Notes	May 1967—Oct. 1970	30 Years	May 1997—Oct. 2000
EE	Jan. 1980—	30 Years	Jan. 2010—
H	Feb. 1957—Dec. 1979	30 Years	Feb. 1987—Dec. 2009
I	Sept. 1998—	30 Years	Sept. 2028—
HH	Jan. 1980—	20 Years	Jan. 2000—
All other savings bonds reached final maturity before this schedule was announced as follows:			
SERIES	ISSUE DATES	LIFE OF BOND	MATURITY DATES
A	Mar. 1935—Dec. 1935	10 Years	Mar. 1945—Dec. 1945
B	Jan. 1936—Dec. 1936	10 Years	Jan. 1946—Dec. 1946
C	Jan. 1937—Dec. 1938	10 Years	Jan. 1947—Dec. 1948
D	Jan. 1939—April 1941	10 Years	Jan. 1949—April 1951
F	May 1941—April 1952	12 Years	May 1953—April 1964
G	May 1941—April 1952	12 Years	May 1953—April 1964
J	May 1952—April 1957	12 Years	May 1964—April 1969
K	May 1952—April 1957	12 Years	May 1964—April 1969
H	June 1952—Jan. 1957	29 Yrs. 8 Mos.	Feb. 1982—Sept. 1986

BROCHURES FOR YOUR CUSTOMERS

Financial institutions may order supplies of I Bond brochures from their servicing Federal Reserve Bank or from the following Savings Bonds Marketing Offices: Atlanta, 404-331-1805; Boston, 617-565-6190; Chicago, 312-353-6754; Cleveland, 216-522-4012; Dallas, 214-767-5870; Los Angeles, 909-396-7413; New York, 212-264-1368; Philadelphia, 215-597-1755; St. Louis, 314-539-6675; San Francisco, 510-337-5039; Tampa, 813-348-1708; and Washington, DC, 202-691-3570.

WEB SITE MAKES BOND TRANSACTIONS EASIER

From electronic pricing to online customer service, the Bureau of Public Debt is providing innovative new ways to make bond transactions easier for you and your customers. With over 1,000 web pages and 10 million hits per month, Public Debt's Internet site is one of the hottest spots on the World Wide Web! Okay, it's no Amazon.com, but it's where you want to be for the latest savings bond information and services. The web site address is www.savingsbonds.gov-be sure to bookmark it as one of your favorites!

Public Debt's Internet site provides a wealth of information about U.S. Savings Bonds - I Bonds, Series EE/E, Series HH/H, and older bonds. You'll find information about issuing, redeeming, interest rates, maturity periods, taxes, the education feature, and much more...

You'll also find a wide variety of services including: pricing tools like the online Savings Bond Calculator and the Savings Bond Wizard; HH/H Internet Services to view and update account information; the Savings

Bond Connection to buy bonds online; and forms in downloadable format. Also available to download are the comprehensive value tables.

Public Debt also offers online customer support. E-mail a question to SavBonds@bpd.treas.gov and you'll get an answer within two business days-that's a promise!

Although transactions requiring a signature or supporting documentation can't be handled over the Internet, customer service representatives can get the ball rolling by sending out forms and answering specific questions. Public Debt receives over 2,000 e-mail messages from customers each month.

The web site even offers a special area for savings bond agents. You'll find information about BondPro™, CRV, downloadable redemption tables, information about selling bonds through Internet Banking. You'll also find the PDF 3900 Identification Guide for cashing bonds, questions and answers about EasySaver and The Bond Teller.

If you haven't visited www.savingsbonds.gov, you need to! It's one of your best sources for savings bond information (aside from the Resource Guide). It's also a great place to point customers for answers to tough questions about savings bonds.

SELL BONDS ON YOUR WEB SITE; ELIMINATE THE PAPER CHASE

A rapidly increasing number of banks and credit unions are selling savings bonds on their web sites. In fact, over 250 institutions are now selling bonds through their Internet Banking systems. The Bureau of Public Debt has helped these institutions build and implement their systems and expects the number to more than double by the end of the year.

We have worked with individual institutions who built their own systems as well as major Internet Banking software vendors who provide services to financial institutions. For many institutions, setting up bond sales on the Internet is as simple as asking their software vendor to activate bond sales.

Financial institutions gain many benefits from selling bonds on the Internet. With Internet sales paper processing and data entry work for bonds is eliminated. This reduces costs and saves a lot of work. And, the customers are happy to have such a convenient way to buy bonds. To find out how your institution can use the Internet to simplify your bond sales process, call the Savings Bond Home Banking Team at 9-304-480-7835 or send an e-mail to homebank@bpd.treas.gov. More information is also available at www.savingsbonds.gov/sav/savhb.htm.

Change of Address

Editor: Please change the mailing address

*From: (Recipient please affix old label here or provide the **identification number** printed above the address on the label.)*

To: _____

Please change the number of copies I receive

from _____ to _____ .

_____ I no longer wish to receive "The Bond Teller."

GET READY FOR THOSE PESKY TAX TIME QUESTIONS

Do customers ask you how much their bonds are worth in December and how much they were worth one year earlier-last December?

You are probably dealing with customers who have chosen to use the accrual method and report yearly the increases in their bond's values on their Federal income tax returns. Although it is not required, bond owners may choose to do this so they don't have to wait to report all their interest earnings in the year they

redeem the bonds. (Details are in IRS publications 550 "Interest Income and Expenses" available from www.irs.gov and many IRS offices.)

The table that these customers need is PD F 3501, a "Comparison of Year End Values from December 31, 1999 to December 31, 2000." This table is available on the savings bonds web site www.savingsbonds.gov.

Another way to get these comparison values is to use the Savings Bond Calculator, also on the Savings Bond web site. Once bond issue dates and

other data are keyed into the online calculator, the redemption or bond valuation date can be changed to display redemption values for last December and then for the end of the present year. The customer can easily subtract the earlier redemption value from the total from December of this year.

What do you do if your customer doesn't have access to a personal computer or the World Wide Web? You could order a supply of PD F 3501 and PD F 3600 (abbreviated redemption tables) from a Federal Reserve Office that provides savings bond services to your region. You could give out these tables when customers ask you for assistance. Another approach would be to let customers know that they can obtain the tables from the Bureau of Public Debt by sending a postcard to: Bureau of the Public Debt, Parkersburg, WV 26106-1328.



You're looking at the friendliest way to buy a U.S. Savings Bond!

For 60 years, your neighborhood banker has been the face of the Savings Bonds program, providing you with information and issuing and cashing services. On the occasion of the 125th Anniversary of the American Bankers Association, the Treasury Department applauds the many thousands of banks and bankers who have helped make U.S. Savings Bonds the most widely-held security in history, and thanks them for their continued support.



www.savingsbonds.gov

Presented as a public service by this publication.



APPRECIATION FOR BANKERS'

SUPPORT: In recognition of the 125th anniversary of the American Bankers Association, the Department of the Treasury expressed its appreciation for ABA's continuing partnership and support of the U.S. Savings Bonds Program with the release of the public service ad shown at left to financial newspapers.

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